

# **Insurance Coverage**

## **Protecting Yourself and Your Airport**

### **Commonwealth Ports Authority**

**Saipan International Airport**

**Rota International Airport**

**Tinian International Airport**

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# Protecting Yourself and Your Airport

- As you improve your airports and bring in more flights, along comes many risks that we often do not consider. We are consumed with daily operational issues and requirements;
- As airport operators, we have this notion that by complying with FAR Part 139 we face little or no liabilities. The fact is compliance with Part 139 is only a minimum requirement;
- In the absence of a reasonable assessment of the risks at the airport, we continue to live in the dark in terms of our exposure to liabilities and a potentially very costly way of operating an airport.
- Take prudent steps - by assessing your risks and insuring airport.

# Typical Risks Airports Are Exposed To

- Terminal and runway damages due to typhoons, earthquakes and flooding
- Disruption of business activities due to disasters
- Destruction of valuable papers and records
- Injuries and/or death and damages due to vehicular accidents
- Wrongful acts by directors and officers of airport operators
- Aircraft accidents and related incidents on airport premise
- Crimes due to employee dishonesty such as check forgery, depositor's forgery, counterfeit currency and electronic forgery
- Robbery within and outside of airport premises
- Costly penalties and sanctions for noncompliance with government regulations, i.e. EPA orders.

# Few Examples of Liabilities

- KAL accidents in Guam in 1997 – claim was \$550 Million
- Sexual harassment case of employee against airport official – “no names to be mentioned ”
- Typhoon damages to terminal buildings in the region– cumulative costs of over \$47 Million of repairs
- 2 small aircraft accidents in the CNMI
- ARFF truck accident damaging other properties;
- Vendor delivering at the airport who slipped and fell; claimed for damages in the amount of over \$10,000
- Jet fuel spill at airport; claim is for clean up and mitigation costs of over \$500,000;
- A Proposer of an airport RFP filed a protest and claim against the airport; claim is for loss of profit and related damages; an expensive legal battle of over \$80,000



# Activities That Expose Airports to Liabilities

- Controlling air traffic and movements in the AOA involving lives and large aircraft;
- Airport personnel operating equipment in AOA and in public areas;
- Movement of passengers in the thousands in airport facilities;
- Airports providing weather services which pilots rely on;
- Navaids that are maintained by airport/FAA personnel
- Board of directors and management decisions that affect the safety of passengers on a daily basis
- Maintenance of runway and taxiway by airport personnel
- Commercial activities of airport tenants and vendors
- Airport responding to emergencies in accordance with FAA standards.
- Repairs and maintenance of runway & taxiway lighting system, signage and markings pursuant AC guidelines.

# Meet Minimum Requirements: Prudent Steps in Airport Operations

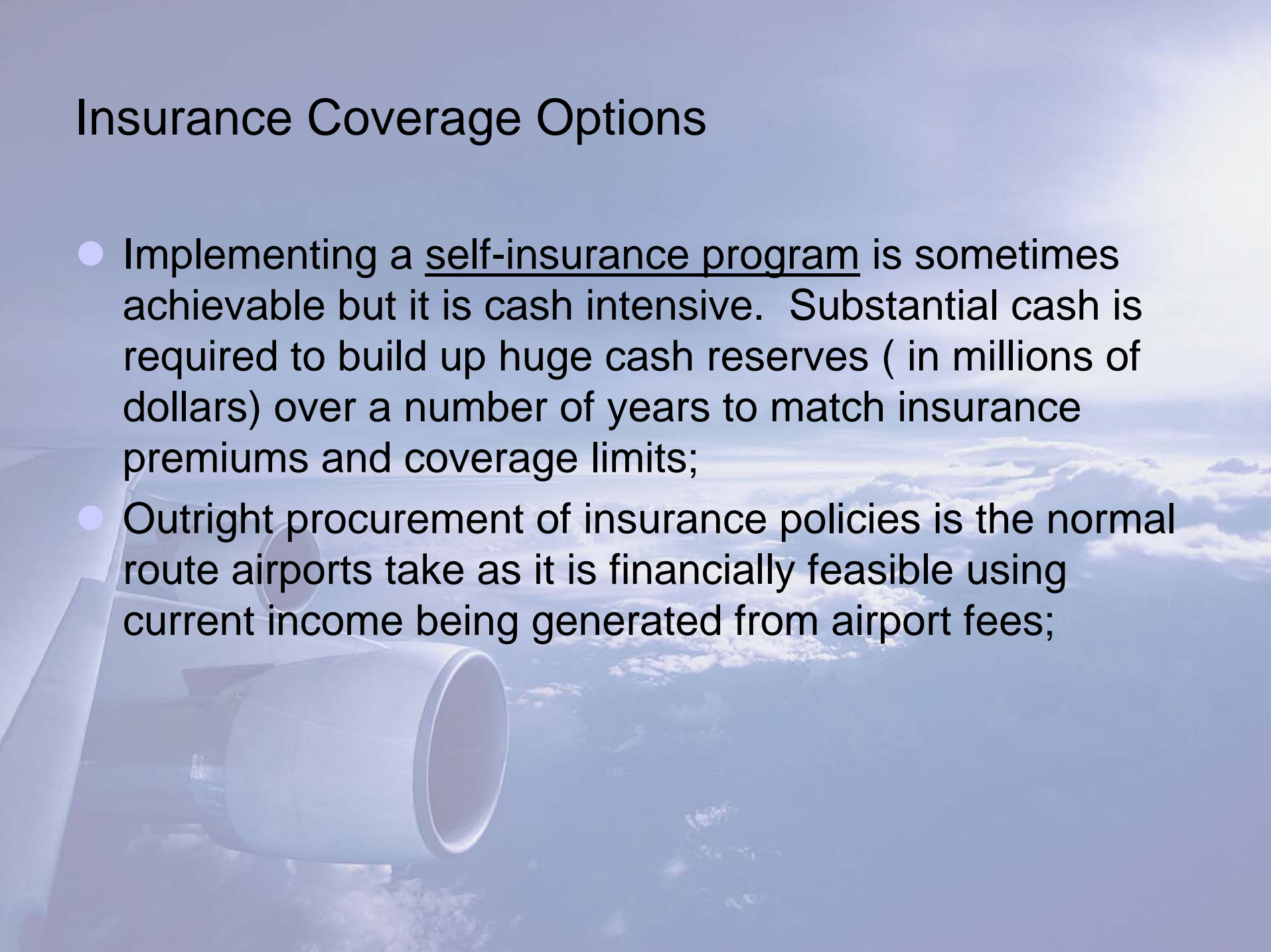
- Comply with FAR Part 139
- Conduct regular training of employees to meet FAA and TSA standards, i.e. SIDA procedures, passenger screening and restricted areas;
- Conduct regular drills for emergency response personnel, i.e. airport police officers, ARFF and agencies of the government and private sector (American Red Cross, EMO, Public Health);
- Implement a self-inspection program on a daily basis;
- Maintain a current Airport Layout Plan;
- Implement an approved wild-life mitigation program;
- Evaluate employees' performance on regular basis and identify areas for improvement and training;
- Apply a standard personnel qualification policy/regulation;
- Maintain timely and accurate stats on aircraft operations, weight, cargo volume, passengers, aircraft type, origin and so on.
- Maintain accurate financial records, i.e. assets.
- Apply across the board a reasonable insurance provisions in agreements and leases.
- Adopt an approved environmental protection policy for the airport and tenants.
- Require an aviation insurance policy on contractors working in airside areas

# Then Consider Insurance Options to Cover Risks and Loss Beyond the Minimum Requirements

- Determine the risks at your airport -
  - By performing a risk assessment to determine the probable maximum loss and ways to reduce your exposure. Some airports hire certified “risk managers” to perform such tasks if no one at the airport is able to;
  - Insure your airport by using a self-insured program and/or procuring insurance policies from insurance firms.

# Insurance Coverage Options

- Implementing a self-insurance program is sometimes achievable but it is cash intensive. Substantial cash is required to build up huge cash reserves ( in millions of dollars) over a number of years to match insurance premiums and coverage limits;
- Outright procurement of insurance policies is the normal route airports take as it is financially feasible using current income being generated from airport fees;





# Typical Airport Insurance Coverage

- Airport Property Insurance to cover all risks of physical loss or damage from typhoons, earthquake and flooding which includes business interruption – limit as high as \$30M.
- Airport General Liability Insurance covers legal liability to third parties arising from airport operations or elsewhere in the course of business – as high as \$400M.
- Automobile Insurance to cover injuries and property damage for autos owned by airport operator – limit of up to \$1M.
- Directors & Officers Liability Insurance to cover directors and officers for claims made or alleged wrongful acts – limit of up to \$1M.
- Crime Insurance to cover employee dishonesty – limit of up to \$500,000.
- Money & Securities insurance to cover robbery within and outside airport premise including burglary – limit of up to \$50,000.

# How Do You Go About Procuring These Policies?

- Check with your local insurance agents or brokers if they have the ability to provide some, if not all, of the policies.
- Because the policies are specialized, i.e. Airport General Liability, airport operators may have to consult with firms from other jurisdictions such as the CNMI or Guam.
- But first, assess your risks and exposures to determine probable maximum loss at the airport
- And obtain a recommended insurance policies with corresponding coverage limits, i.e. \$1M or \$200M and so on.

Protect Yourself and Your Airport.....Consult with Insurance Experts on risks, insurance policies and coverage.

● **Questions?**

Carlos H. Salas  
Pacific Aviation/Maritime Services  
(670) 483-7699 / [cpacsalas@gmail.com](mailto:cpacsalas@gmail.com)